



December 22, 2009

Mr. Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Docket No. R-1367; Regulation Z

Dear Mr. Bernanke:

The Real Estate Valuation Advocacy Association ("REVA") is providing this letter to the Board of Governors of the Federal Reserve System (the "Board") in response to proposed revisions to Regulation Z relating to Home Equity Lines of Credit ("HELOCs"). REVA supports the Board's additional guidance regarding appropriate valuation tools for creditors to use when assessing a property's value under Section 226.5b(f)(3)(vi)(A) of Regulation Z. Specifically, REVA agrees with the Board's position that Broker Price Opinions ("BPOs") and Automated Valuation Models ("AVMs") are appropriate products to establish that a significant decline in value has occurred with respect to a property, thereby permitting creditors to take action restricting HELOC activity.

REVA is a nonprofit trade association that is dedicated to the maintenance and further development of high quality standards within the real estate valuation industry. Our membership consists of companies providing a wide array of real estate valuation products and services including (but not limited to) Appraisals, BPOs, and AVMs.

Section 226.5b(f)(3)(vi)(A) of Regulation Z currently permits a creditor to temporarily suspend advances or reduce a credit line for a HELOC if "the value of the dwelling that secures the plan declines significantly below the dwelling's appraised value for purposes of the plan." Existing Comment 5b(f)(3)(vi)-6 clarifies that a creditor need not obtain an appraisal to suspend HELOC privileges, but does not provide sufficient guidance on what valuation tools a creditor should use to establish that a significant decline in value has occurred.

REVA applauds the Board's proposed comment 5b(f)(3)(vi)-5, which provides creditors with necessary guidance by clarifying that BPOs, AVMs, and additional valuation tools to be developed and/or re-named over time provide a sufficient basis to determine if a significant decline in property value has occurred. We further agree with the Board's presumption that general market data products can be a valuable tool for creditors to use to validate property-specific valuations and to establish market trends, and that new valuation products will continue to evolve to meet the mortgage industry's need for reliable information aiding sound portfolio management techniques.

REVA firmly believes that creditors must be able to access proven and reliable valuation tools such as BPOs and AVMs when making critical decisions related to HELOCs. BPO's, AVM's and other alternative valuations are vital and necessary tools that reduce costs, increase speed and enhance accuracy. Their usage is beneficial to

homeowners (reduced pass-through servicing costs), mortgage investors (decreased cost of due-diligence) and credit risk departments (to verify appraisal accuracy).

In particular, BPOs have an established track record in the industry. In addition to quality assurance programs administered by REVAA member companies and other valuation providers, BPO Standards and Guidelines ("BPOSG") have recently been introduced that provide a comprehensive framework for the preparation of BPOs on a national level.

Likewise, the Board has previously recognized the usefulness of BPOs in its Homeownership Preservation Policy for Residential Mortgage Assets. The U.S. Treasury Department has recommended the use of BPOs to establish eligibility for its loan modification and related foreclosure alternatives programs, potentially helping up to 4 million homeowners nationwide stay in their homes and avoid foreclosure. Finally, Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") as well as the Proposed Interagency Appraisal and Evaluation Guidelines both make clear that BPOs are appropriate in a wide range of circumstances.<sup>1</sup>

However, while the Board's proposed commentary clarifies that BPOs and AVMs are appropriate methods for creditors to use when making decisions under Regulation Z, some degree of uncertainty remains due to the fact that the use of AVMs, BPOs and other evaluation methods has been challenged (and largely left unresolved) in some states by state appraisal boards. Unfortunately, state appraisal boards may have conflicting interests due to their roles in promoting the appraisal profession. As BPOs, AVMs and other evaluation methods can be viewed as competing products, we are concerned that interpretations at the state level seeking to restrict the use of these valuation tools are not always made on the basis of a full, unbiased understanding of their reliability and usefulness.

Congress, together with the relevant Federal agencies, established a comprehensive regulatory framework to provide the standards that regulated institutions should follow by adopting Title XI of FIRREA and the regulations issued there under (including the 1994 Interagency Guidelines). FIRREA also included provisions requiring that states establish appraisal boards responsible for qualifying, licensing and certifying appraisers pursuant to minimal standards. In essence, the existing regulatory scheme is premised on the fact that the Federal agencies are the appropriate parties to determine the categories of transactions requiring appraisals, while the state appraisal boards are responsible for supervising the appraisers that actually perform any required appraisals. We would therefore respectfully ask the Board to reconsider its position on conflicting state regulations that may prevent creditors from obtaining the valuation tools they need to make important credit decisions under Regulation Z.

Thank you for the opportunity to provide our comments.

Sincerely,  
The Real Estate Valuation Advocacy Association

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<sup>1</sup> Title XI of FIRREA and the regulations of the federal banking agencies under Title XI specify the circumstances when FDIC insured depository institutions are required to obtain formal appraisals. We believe that, properly construed, Title XI and its implementing regulations preempt state laws that might otherwise force FDIC insured institutions to obtain formal appraisals by licensed or certified appraisers.